1970 Annual Report

CANADIAN GENERAL ELECTRIC

Directors and Officers

Directors

J. Alexandre Béland	Louiseville, Que.
William R. C. Blundell	Toronto, Ont.
Robert V. Corning	Cleveland, Ohio
Paul Desruisseaux, Q.C.	Montreal, Que.
Oscar L. Dunn	New York, N.Y.
Stanley C. Gault	Louisville, Ky.
Harold M. Griffith	Toronto, Ont.
William C. Harris	Toronto, Ont.
William F. McLean	Toronto, Ont.
MacKenzie McMurray	Montreal, Que.
Maxwell C. G. Meighen	Toronto, Ont.
Halbert B. Miller	New York, N.Y.
J. Herbert Smith	Toronto, Ont.
Paul E. Wallendorf	New York, N.Y.
Walter G. Ward	Toronto, Ont.

Officers

Chairman of the Board and Chief Executive Officer	J. Herbert Smith
President	Walter G. Ward
Vice President—Finance	William R. C. Blundell
Vice Presidents	Stanley R. Adamson Alton S. Cartwright L. Robert Douglas Max Drouin Robert N. Fournier Albert R. Nobbs Reginald D. Richardson Ronald M. Robinson Robert Story W. Frank Wansbrough
Secretary	Alan G. Trites
Assistant Secretaries	Ivan H. Ashbury Ivan A. Grantham Carl B. Haller George W. Harrigan V. Gerold Stafl
Treasurer	William R. C. Blundell

Auditors

Peat, Marwick, Mitchell & Co., Toronto, Ont.

Transfer Agent and Registrar

National Trust Company, Limited, Toronto, Ont.

Cover: A consortium, formed by Canadian General Electric, Dominion Engineering Works and Marine Industries, is building the giant turbines and generators that will harness the power of Labrador's Churchill Falls.

Highlights of operations

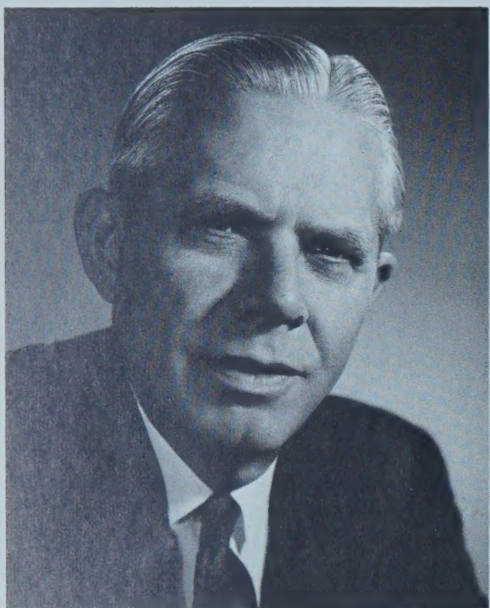
(Dollar amounts in millions; per-share amounts in dollars)

	1970	1969
Financial		
Sales of products and services	**$490.0**	$492.3
Net earnings	**12.2**	15.7
Earnings as a percentage of sales	**2.5%**	3.2%
Net earnings per share (a)	**$1.49**	$1.92
Dividends declared per share		
Common	**1.00**	1.00
Cumulative convertible preferred	**1.25**	1.25
Plant and equipment additions	**$18.3**	$40.3
Statistical		
Average number of employees	**19,789**	21,268
Number of shareholders of common and convertible preferred	**1,388**	1,363
Common shares outstanding at year end	**7,559,092**	7,559,069

(a) Assuming all cumulative convertible preferred shares converted to common shares.

Financial Summary begins on page 12.

Chairman's comments



Sales of products and services by Canadian General Electric and its wholly owned subsidiary companies declined fractionally in 1970 to $490.0 million from 1969's level of $492.3 million. This decline in sales volume followed eight successive years of sales growth.

Net earnings dropped 22% in 1970 and represented 2.5% on the sales dollar (3.2 percent – 1969). Net earnings per share (assuming all convertible preferred shares were converted to common shares) were $1.49 in 1970 compared with $1.92 in 1969.

This earnings performance reflected the continuing squeeze between depressed industry prices and rising costs. While prices for electrical products remained at or near the level prevailing in the mid-1950's, the Company has felt the full impact of inflationary forces in terms of rapidly rising material and labour costs.

A sharp decline in the market for consumer products became evident early in the year. While some easing off in demand was expected, a more severe downturn than was forecast was encountered.

Shipments of electrical products to the Canadian construction market showed a modest decline from 1969, largely due to the dampening effect of Government anti-inflationary policies.

In the heavy electrical equipment field, however, shipments rose to a record level in 1970, with the largest gains in the power generation and transportation equipment segments.

In review, 1970 was a year of consolidation. The Company withdrew from the manufacture of television picture tubes and divested itself of its Computer Equipment business, while retaining its interest in the active and growing Computer Time-Sharing field.

As a result of this consolidation, and of soft market demand in a number of important product areas, Company employment decreased 13.5 percent to 18,400 at year-end. Capital expenditures totalled $18.3 million over the 12-month period.

There were a number of major developments in 1970 which will positively influence the Company's performance in the future. One was a decision of great significance rendered by the Federal Anti-dumping Tribunal in ruling on a complaint that had been made by the Canadian Electrical Manufacturers' Association on behalf of Canadian power transformer manufacturers. The Tribunal ruled that after November 6, 1970, any orders placed by Canadian purchasers on foreign manufacturers at dumped prices will likely cause material injury to the Canadian industry. Offshore bidders will now realize that, on orders where prices indicate dumping, dumping duties will be assessed.

In late September, first Canadian production of heavy water was attained at the Company's plant at Point Tupper, Nova Scotia. This project was undertaken by the Company at the invitation of the Federal Government in response to a matter of national priority vital to the success of the Canadian nuclear power program. It involved an extremely large investment of a high risk nature and illustrates the Company's policy of utilizing its resources to support specific Canadian programs in the national interest.

In the field of labour relations, the Company early in 1970 successfully concluded negotiations with the major unions representing its employees without a strike or, in fact, any loss of production time. Since the labour contracts arrived at are for a two-year period, the Company can look toward 1971 with confidence that labour-management problems will not be a major imponderable as the Company strives to return to the path of growth.

For the Canadian economy as a whole, a moderate upward growth trend is predicted for 1971, with the latter half of the year showing the greatest strength. The Company is fully prepared to exert every effort to accelerate this business upturn.

A major Company-wide program has been launched to take full advantage of the modest upswing in the economy that has been forecast for 1971. Called

"United for Progress", this program enlists the enthusiastic support and competitive spirit of all employees in a concerted effort to improve costs, service and values to customers. Since Canadian General Electric is the largest company in the electrical manufacturing industry, the success of such a program can make a major contribution toward full national economic recovery.

The Company has long been a supporter of environmental protection. It has contributed by producing electrical products which, by their very nature, are non-polluting, and by exerting every effort to limit any adverse environmental impact of its manufacturing processes. As one example of the latter, during 1970 alone, environmental protection equipment costing over $1.6 million was completed or under installation at the Company's largest plant in Peterborough. Company engineers, working with representatives of the public in responsible government agencies, are ensuring that manufacturing processes are as pollution-free as developing technology can make them.

At a meeting of the Board on August 28, 1970, Walter G. Ward was elected President of the Company. Mr. Ward was formerly Executive Vice President.

Ian F. McRae, former CGE Board Chairman who retired from the Company in 1965, passed away in October, 1970. Widely known in the Canadian electrical community, Mr. McRae was second Vice-Chairman of Ontario Hydro at the time of his death.

The Directors have asked me to express their appreciation to all employees for their continuing high level of skill and effort. There is no firmer foundation on which we can build our future growth and progress.

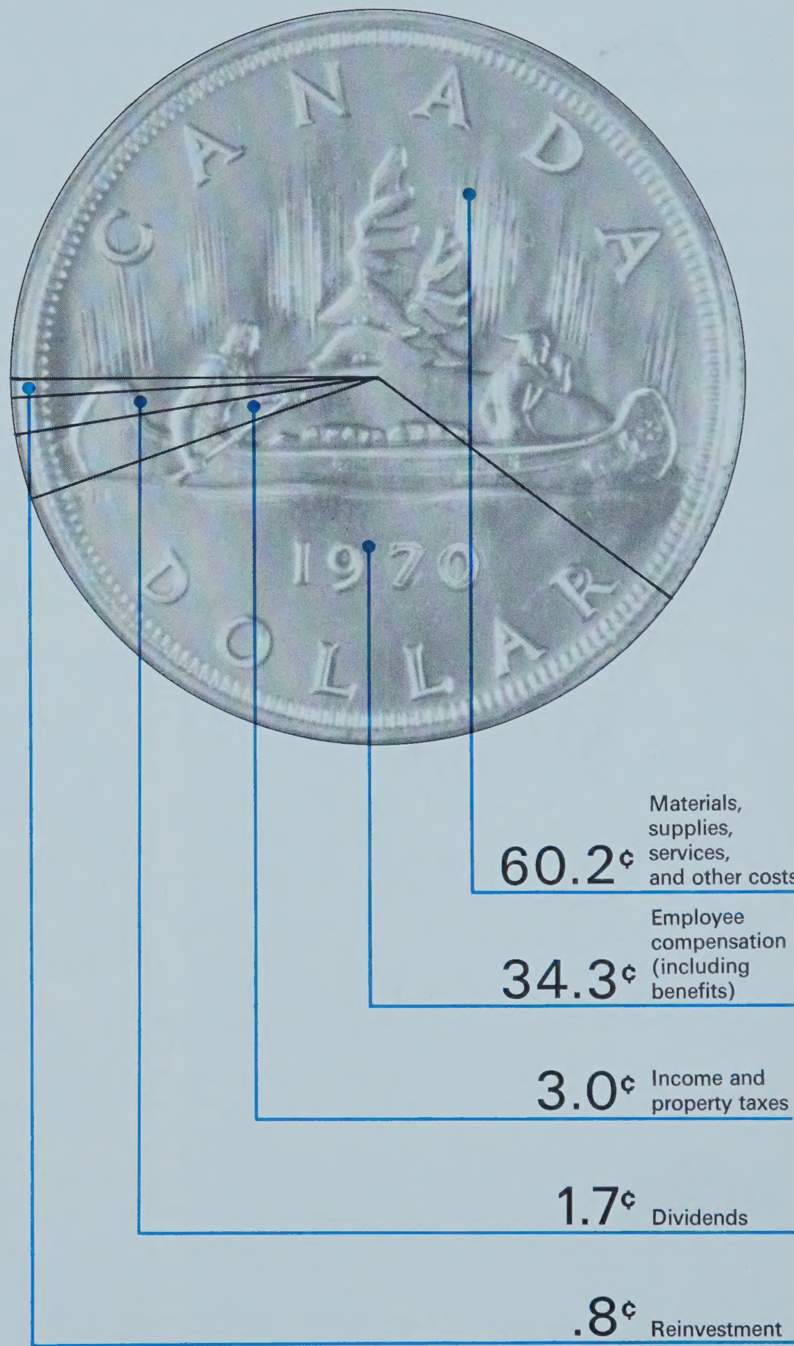
On behalf of the Board of Directors,

J. Herbert Smith

Chairman of the Board

Toronto, March 10, 1971

How the 1970 income dollar was distributed

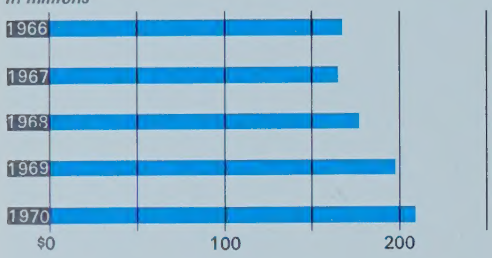


Review of 1970 Operations

Apparatus and Heavy Machinery Division

The Division was involved in a number of projects which were unique in terms of size and scope. It also experienced unprecedented demand, and orders were well in advance of 1969.

Division Sales
in millions



One of the many outstanding national projects was a plate mill for a large steel company. The largest under computer control in North America, and capable of producing heavy steel plate up to 160" wide, it is scheduled to begin production this Fall. The more than a quarter-mile long installation will use the most advanced and sophisticated steel industry computer system in the western hemisphere, designed and built at Peterborough.

All the mechanical equipment was manufactured at Dominion Engineering Works. It includes handling devices, roller tables (each made up of more than 1000 large rollers), a 1000-ton turntable, plate-turnover and furnace equipment. Peterborough-built electrical equipment, totalling 30,000 horsepower, includes two 5000-hp motors for driving the finishing mill and two 2000-hp motors for the roughing mill.

Also supplied by DEW were eight 13½-foot diameter grinding mills for a copper/molybdenum open pit mine in B.C.'s Okanagan Valley. Each weighs 500 tons loaded and can grind 3500 tons of ore per day. The mills are powered by CGE motors.

Typical of international projects are the Colombia Alto Anchicaya and the Brazil Volta Grande hydro-electric projects. The first entails supplying three 158,000-hp turbines with penstock valves, generators, excitation equipment and a power-house crane. The Volta Grande order for three 138,000-hp turbines is being financed by the World Bank, and was obtained against world competition.

Other export successes included an order for two 156,000-kva generators plus switchgear, breakers and power transformers for Akosombo, Ghana, West Africa, a large order for locomotive electrics for Varanasi, India, and locomotive electrics for Australia.

At Ontario Hydro's Lambton generating station, the remaining two of the four 500,000 kilowatt steam turbine-generator units were installed. The largest operational units in Canada, they attest to the highly specialized skills and manufacturing facilities at Peterborough and Scarborough plants which are now available to support utility growth.

Work on the world's first solid state high voltage direct current installation at Eel River, New Brunswick, was begun in early October. When completed, the station will permit the transmission of power from Churchill Falls, through the Hydro Quebec system, to the Maritime power pool. During the year, the largest autotransformer ever built in Canada was delivered to a New Brunswick power station. Rated at 450,000-kva, this transformer will permit the interchange of power between New Brunswick and the New England states. Equipment is being built at the Peterborough and Guelph plants.

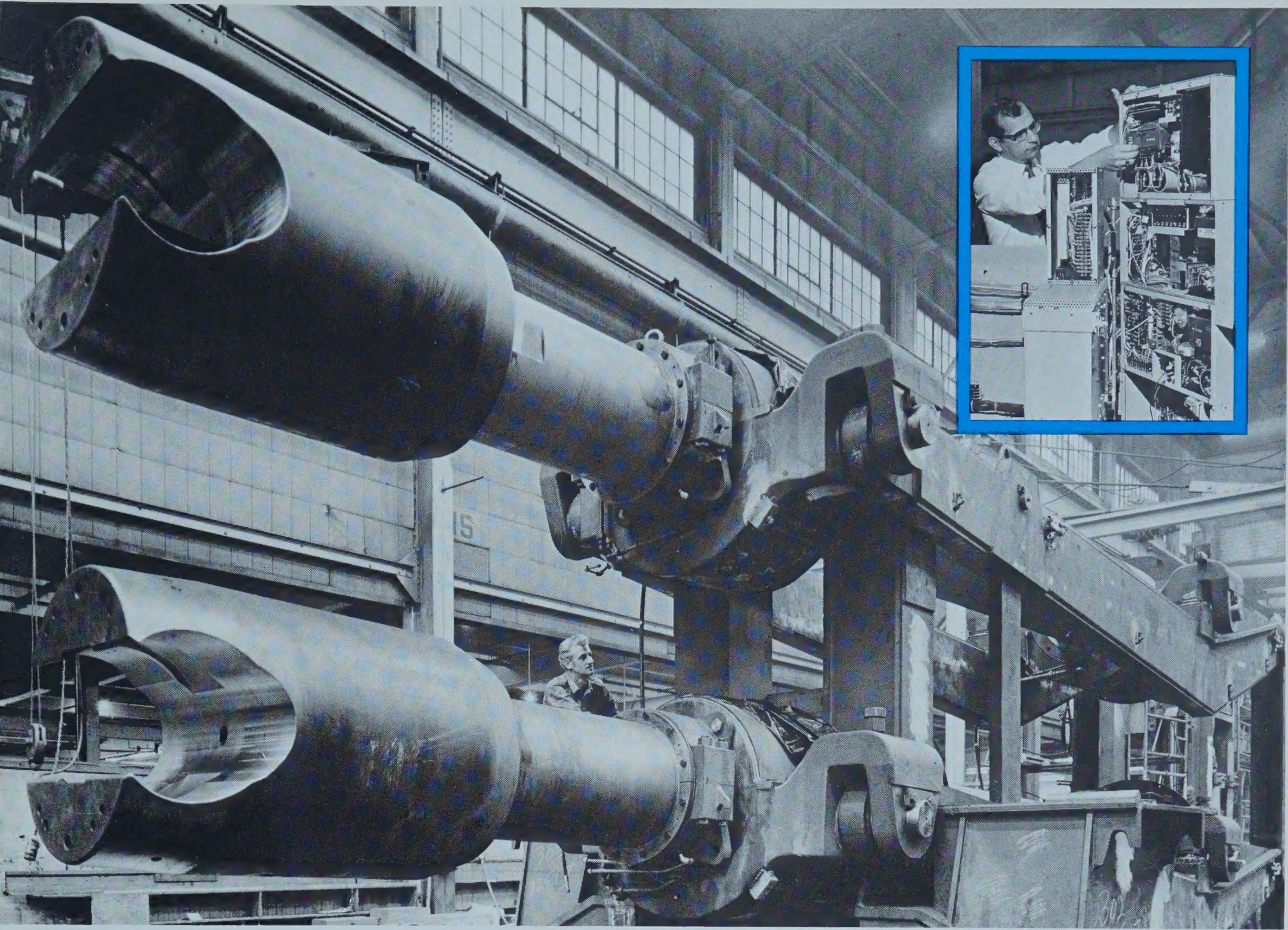
Another 1970 'first' was the commissioning of the first three friction wheel mine hoists entirely of CGE design and manufacture. The complete 'hoist package', mechanical equipment as well as electrical, is built at Peterborough.

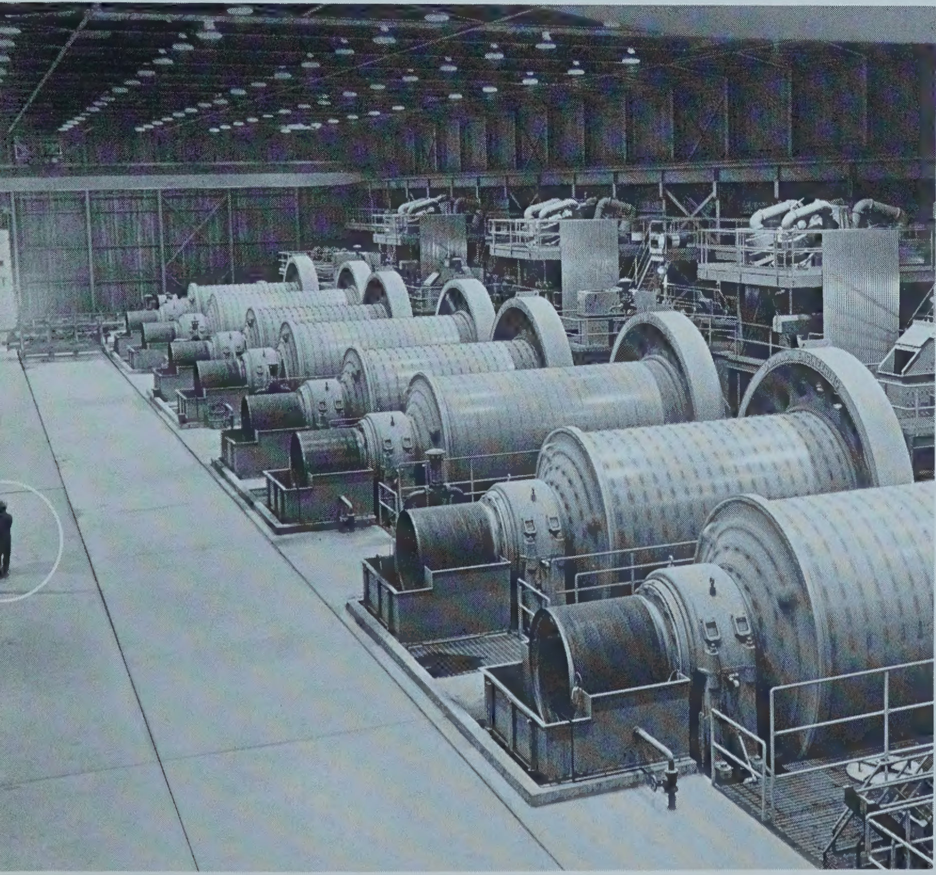
Other 'firsts' were the development of the Quadratorque drive, a new concept designed for twin synchronous drives on ball mills, and the commissioning of the largest regenerative tension winder in the world.

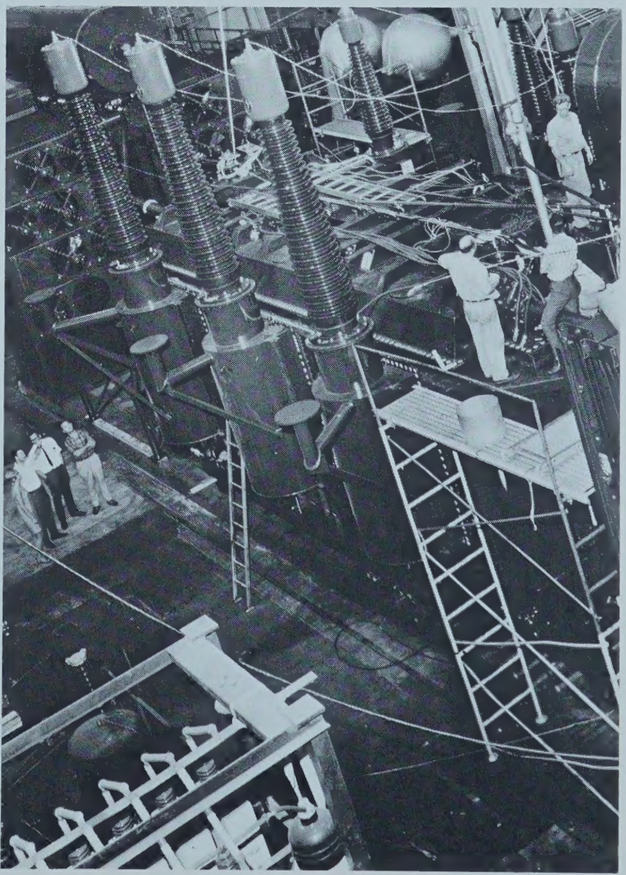
The largest process computer in the mining industry in North America was delivered during the year. A high level of business continued for switchgear equipment and components, including an order for over $2 million worth of air blast breakers and another for more than $1.25 million worth of power circuit breakers.

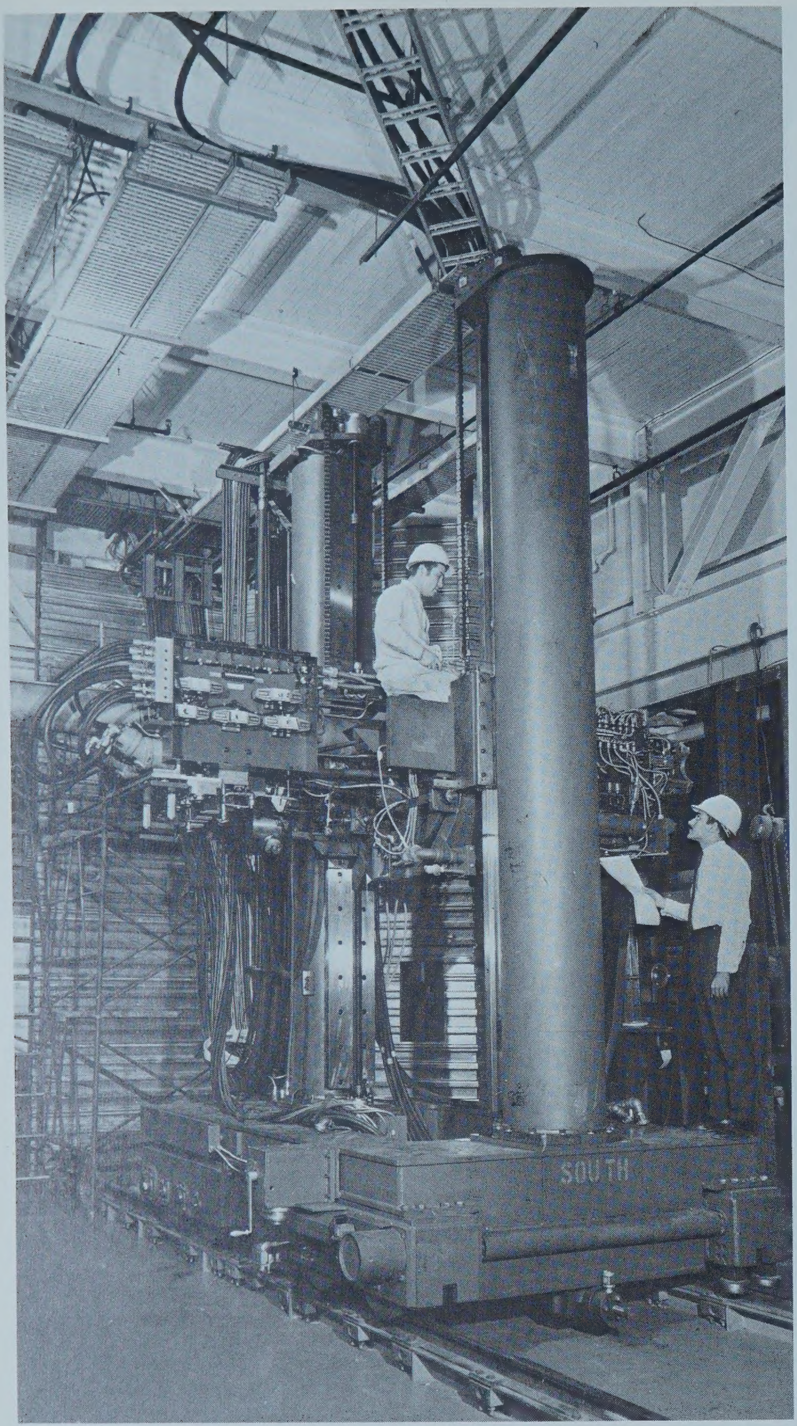
A new single phase watthour meter was introduced. It is more compact, lighter, and gives improved performance. Cost of its development at the Quebec plant was more than a quarter of a million dollars over a two-year period. In 1970, 30% of the output of the Quebec plant was exported, with meters going to 14 countries and range timers to five.

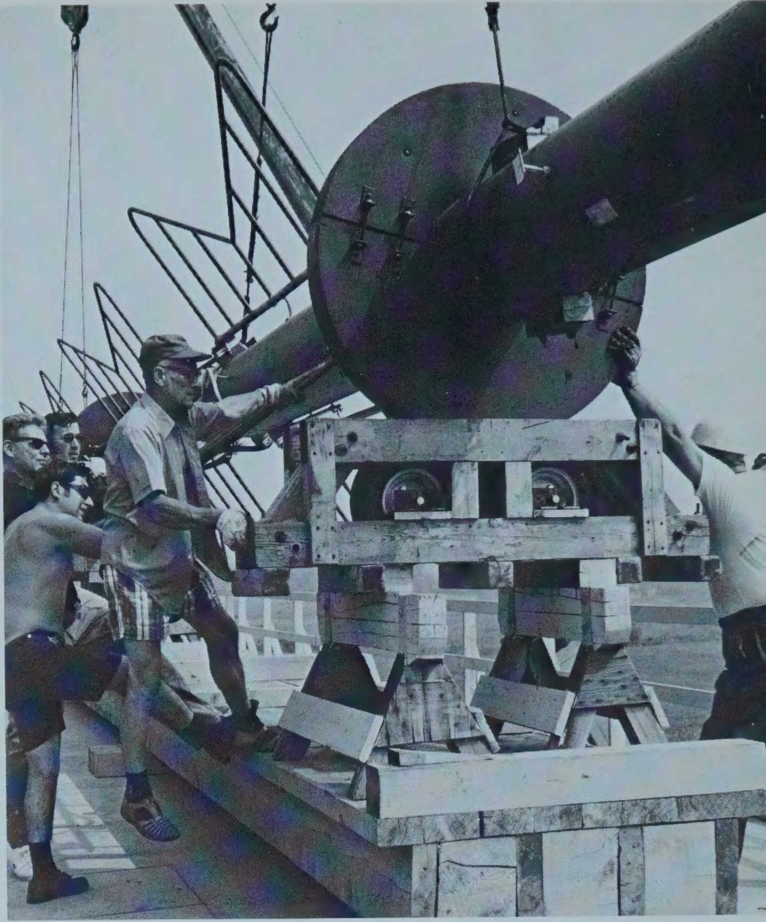
Top right: The drive spindle assembly for a steel roughing mill during manufacture at Dominion Engineering Works.
Inset: A technician at Peterborough plant checks a small part of the central process computer that will control a steel plate mill.
Right: Man at left is dwarfed by these eight giant DEW grinding mills at a copper/molybdenum open pit mine in B.C. They are powered by CGE motors.
Far right: On test at the Company's Guelph plant is Canada's largest auto-transformer, weighing over 400 tons.
Below: The stator for a 544,000-kilowatt steam turbine generator starts its long trip to Puerto Rico.

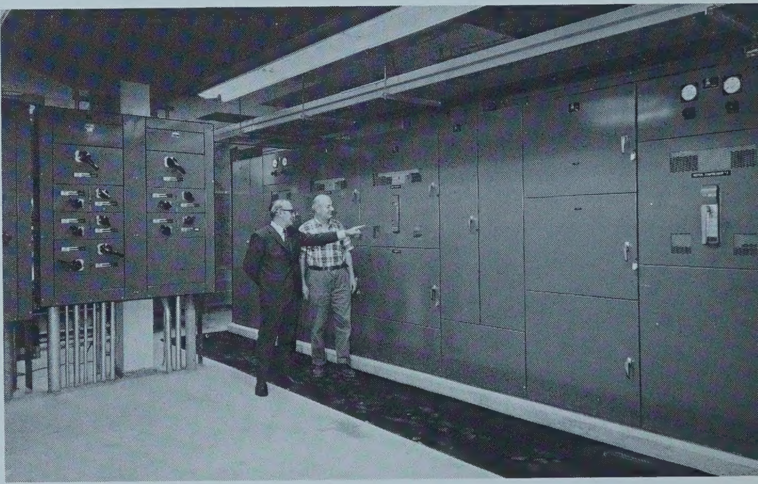




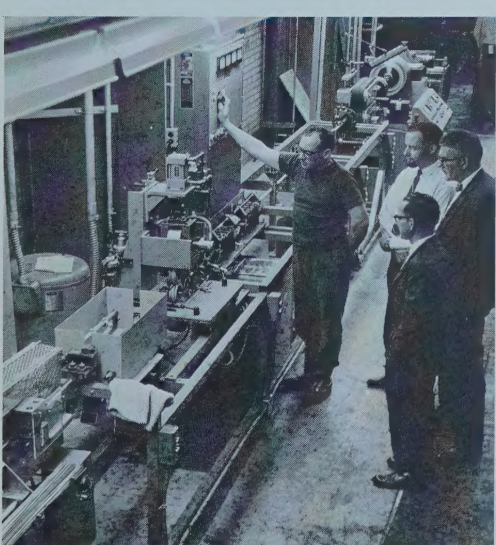



SOUTH



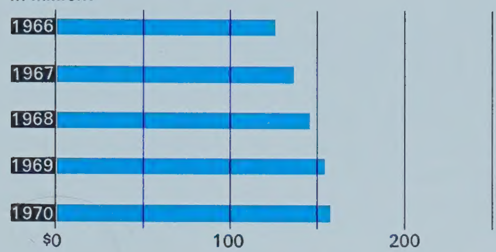


Far left: Peterborough technicians test one of the fuelling machines delivered to KANUPP, the 137,000-kilowatt nuclear power station being built by CGE near Karachi in Pakistan.
Top left: Shown being tested is the 65-foot batwing antenna which is now part of CBLT's 100-foot-high television antenna complex in Toronto.
Middle left: The complete power distribution system at Toronto's Fairview Mall was supplied by the Company's Amalgamated Electric plant in Markham.
Left below: At a highway interchange in New Brunswick, the continent's first high-mast Lucalox lighting installation uses a newly-developed luminaire mounted on 100-foot poles. Only ten poles were required instead of the usual 40 or 50.
Below: New manufacturing facility at Peterborough for the production of high temperature insulated magnet wire for traction motors.



Construction projects served by the Division during 1970 included Fairview Mall and the new Simpson-Sears building, both in Metropolitan Toronto. Electrical products supplied to these projects included wire and cable, conduit, dry-type transformers, switchboards, motor control centres and exterior lighting.

Division Sales
in millions



Nearly 600 units of Lucalox lighting were installed on the new mile-long causeway between Halifax and Dartmouth, Nova Scotia. The lamps, mounted on 'PowrDoor' luminaires from the Davenport plant, give a light level at the bridge approaches many times greater than that on most such areas.

The first North American installation of 400-watt Lucalox lamps on 100-foot poles was made on a half-mile approach to the interchange of the Trans-Canada and Saint John-Monction Highways at Sussex, New Brunswick.

Developed to meet the extreme conditions encountered by transportation equipment, a new high temperature magnet wire called Capton went into production at Peterborough.

The Company's nuclear power operations were consolidated into a single department with activity focused on the development of manufactured products based on developed 'know-how' or in which CGE has a proprietary interest.

A vital step in this new business direction was taken when an understanding was reached with Atomic Energy of Canada Limited and Ontario Hydro for the Company to undertake a special role in the design and development of fuel-handling systems, beginning with a system for the three million kilowatt Bruce Nuclear Generating Station on Lake Huron.

A milestone was reached when the Company's plant in Nova Scotia produced the first reactor grade heavy water to be made in Canada on a commercial basis.

The introduction of the TermiNet 300 electronic data terminal marked a major advance in teleprinters for place-to-place communications and for handling information to and from computer systems. It can print 300 words a minute, three times as fast as a conventional teletype machine. A major order for 22 of these units was received from the city of Edmonton.

A television antenna complex 100 feet high was installed on CBLT's 450-foot tower in Toronto. The lower portion is a batwing antenna for regular broadcasting on Channel 6. This supports a 35-foot helical UHF antenna for Channel 19 educational programmes. The installation provided improved reception for millions of television viewers.

Orders for significant quantities of VHF transmitters and companion receivers were received. They are used in ground-to-air communications for air traffic control purposes at airports across Canada.

In the field of chemical product development, 1970 was the year of Lexan, a revolutionary thermoplastics material which is virtually indestructible and shatter-proof, even at low temperatures. Lexan windshields are now used on all Canadian-built snowmobiles, involving six of the world's largest snowmobile manufacturers.

Significant in 1970 was the moulding of the entire front shroud for a snowmobile, the largest polycarbonate part ever moulded. As a result of this activity, a decision was made to install a Lexan sheet-extrusion machine to go into operation in April, 1971. At the same time, plans were approved for the installation of equipment for compounding and colouring Lexan resin for injection moulding.

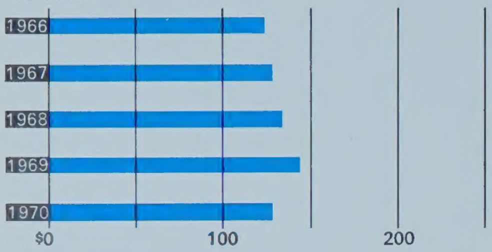
The Company's new Fibreglass Reinforced Epoxy underground cable ducting, recently developed and manufactured at the St. Andrews East plant in Quebec, is being used by telephone and utility companies in Canada and parts of the United States.

A strong market for mobile radio continued with orders in the first half running at the 1969 rate, and increasing in all market sectors in the last half. In the TV broadcast equipment field, activity was slower, with the exception of such projects as the construction of Canada's first UHF television station for the Ontario Education Television Authority and the CBC's new Montreal consolidated studio project. Canadian Radio-Television Commission's encouragement of programme origination by cable companies started construction of small studios, thus offering a promising, growing market.

The sale of the CGE computer equipment business to Honeywell Controls Limited resulted from the GE-Honeywell computer merger. The Company continued to remain in a dominant position in computer Time-Sharing services with a healthy increase in revenue realized at year-end.

Important new business and new products in home entertainment, major appliances, housewares, and lamps featured the Division's sales year. An important contributing factor to lower sales in 1970 was the Company's withdrawal from the manufacture of radio tubes, colour and monochrome TV picture tubes.

Division Sales
in millions



In the consumer electronics market, the Company closed a million dollar order with a national retailer for 1971 business involving a CGE 19-inch colour television set of a type previously supplied by Japanese competition.

A new 26-inch colour television set was introduced in 1970. It features an automatic fine tuning button and Tint Lock, a device which enables the viewer to lock-in flesh tones.

In the middle of the year the Company entered the tape recorder business with a ten-model line, mostly of the cassette type.

The radio market remains approximately 1,500,000 units per year volume in Canada. In 1970 the Company introduced many styling innovations in the radio business. For example the 'Blue Max' was tremendously successful both as a retail product and for the prize incentive industry.

For portable appliances, the year saw a greatly expanded use of colour styling across all models. New housewares products included a lighted makeup mirror with four kinds of lighting to suit daylight, office, home or evening, a decorator motif line of electric frypans, and fashion styling in humidifiers with cathedral panelling, hinged lid and 'marble' insert.

In addition to continuing to supply electric kettles to the U.S. market, the Company continued to expand its sales of humidifiers to the U.S. market through the General Electric Company.

New lamp developments included the Warm Deluxe Mercury lamp, designed for use in supermarkets, shopping centres and department stores. It provides 24,000 hours of lighting, creates a warm and friendly atmosphere, and was made available in 175, 250 and 400 watts. Installations included the new Sherway Shopping Mall and a department store at Fairview Mall, both in Metropolitan Toronto. Some 4,000 units were ordered to supply illumination for a Calgary shopping centre, one of the largest in western Canada.

Completion of Toronto Hydro's Bloor Street modernization project marked the longest installation of Lucalox lamps in North America. The average light level on the pavement is more than three times better than before, and to achieve the same light level with incandescent lamps would have required seven times as many units. A 250-watt version of the Lucalox lamp, providing 10,000-plus hours life became available during the year.

A new type of flashcube called 'MagiCube' was introduced in 1970 to be used with a new line of cameras. This is a mechanical device which will flash without the use of batteries for power. This development, which will reduce the incidence of missed pictures due to weak batteries, is expected to have a major impact on the flashbulb market.

A major introduction in the automotive lamp field was the Plus 25 sealed-beam headlamp. It provides 30% more light and gives the motorist an additional 25 feet of seeing distance.

In the appliance field, the Company made a significant announcement... henceforth no yearly model changes would be made in major appliances merely for the sake of change. Changes are to be made for meaningful features and improvements that will add real value to the product and its usefulness.

This change of direction, nevertheless, did not eliminate the introduction of new products in three areas. For example, the new foamed-in-place, urethane-insulated, thin-wall refrigerator line was expanded to include two 14.9 and three 16.9 cu. ft. models. These give the consumer more interior space for the same amount of floor area.

The new Versatronic oven range was also introduced, providing consumers with a new dimension in cooking. This makes use of electronic cooking in which high frequency microwaves, invisible and safe, create the energy that cooks food in a fraction of the time required with conventional ranges. It can cook a roast in 35 minutes, a fruit cake in 19, or hot dogs in one minute.

Another 1970 innovation was the 'Power-Scrub' dishwasher designed to get the most heavily-soiled pots and pans clean. It enables the housewife to select the exact wash and dry time for any dishwashing need, up to three times longer and hotter than ever before.

CGE consumer products service people perform a vital role in the Company's success because of their day-to-day contacts with customers across the country. During the year over 300,000 home service contacts were made in all kinds of weather, servicing major appliances and home entertainment units, both in and out of warranty. Supporting this home service operation were an additional 100 technicians working from 23 consumer-oriented service locations.

Top right: CGE adds glamour and efficiency to the modern kitchen with the Versatronic oven range for fast electronic cooking and a refrigerator model with a through-the-door ice dispenser.
Right: A handsome line of cassette-type tape recorders was introduced by the Company in 1970.
Far right: New housewares products include a pleasing line of decorator-motif electric frypans.
Below: A CGE development and an industry 'first' is the new Warm Deluxe Mercury lamp made at the Montreal Lamp plant for stores and shopping centres.



1970 Financial summary

The comments in this summary relate to significant items appearing in the financial statements on pages 13, 15, and 17 and are presented generally in the same order as they appear in those statements.

The consolidated financial statements and accompanying schedules in this report include a consolidation of accounts of the Parent – Canadian General Electric Company Limited – and those of all subsidiary companies (except sales finance subsidiaries whose operations are not similar to those of the consolidated group). All inter-company items have been eliminated. Amounts in foreign currencies are translated at current rates.

Net earnings amounted to $12.2 million in 1970, or $1.49 per share assuming conversion of all convertible preferred shares. This compares with 1969 earnings of $15.7 million or $1.92 per share. After providing for dividends on the preferred shares, net earnings per common share were $1.51 for 1970 and $1.97 for 1969.

Sales of products and services are reported at net of trade discounts, excise and sales taxes, and returns and allowances.

In 1970, sales of products and services to customers declined fractionally to $490.0 million from $492.3 million in 1969.

Sales to export markets, directly or indirectly, in 1970 amounted to $62.6 million.

Income from investments which includes income from marketable securities, other investments and non-consolidated sales finance subsidiaries, amounted to $0.6 million in 1970 compared with $1.5 million in 1969. Income from non-consolidated sales finance subsidiaries totalled $65 thousand in 1970 compared with $55 thousand in 1969.

Other income increased to $2.2 million in 1970 from $1.7 million in 1969. Significant items included in other income are income from customer financing, royalties received and income from other technical agreements.

Employee compensation, including the Company cost of employee benefits, increased to a record $168.0 million in 1970. The average number of employees for the year 1970 was 19 789, down from the previous year's average of 21 268.

Materials, supplies, services and other costs includes cost of goods sold and all selling, general and administrative expenses.

Depreciation, including amortization of leasehold improvements, amounted to $13.4 million in 1970 compared with $13.8 million in 1969. Charges for depreciation of the heavy water plant commenced in the last quarter of 1970 when the facility went into initial production.

Taxes except those on income includes provincial and municipal property, business, school and capital taxes.

Interest and other financial charges amounted to $4.3 million in 1970 compared with $4.2 million in 1969. The amounts included the interest costs of financing the heavy water plant. Interest on long-term borrowings amounted to $1.3 million in 1970 compared with $2.3 million in 1969.

Remuneration to directors and senior officers was $942 thousand in 1970 compared with $910 thousand in 1969. In 1970, the aggregate direct remuneration to directors amounted to $26 thousand for their services as directors. There were fifteen directors on the Board in 1970, three of whom were officers of the Company. The direct remuneration to the Company's nineteen officers totalled $915 thousand. In addition, the cost to the Company of its contributions in respect of these officers of all pension benefits proposed to be paid under the Company's pension plan amounted to $50 thousand.

Provision for income taxes amounting to $9.5 million in 1970 compared with $13.0 million in 1969 has been based on income and costs included in the earnings statement shown on the opposite page.

(Continued on page 14)

Active consolidated subsidiaries

Amalgamated Electric Corporation, Limited
Cowley Electronic Services (1961) Ltd.
Dominion Engineering Works, Limited
Dominion Engineering Company (1966) Limited
Montreal Armature Works Limited
W. L. Stevens Ltd.

Consolidated statement of current and retained earnings

Canadian General Electric Company Limited and consolidated subsidiaries

For the year	1970	1969
Income		
Sales of products and services	$489 992 037	$492 341 305
Income from investments	611 482	1 461 804
Other income	2 220 734	1 729 837
	492 824 253	495 532 946
Costs		
Employee compensation, including benefits	168 026 965	166 682 496
Materials, supplies, services and other costs	279 305 372	276 803 856
Depreciation	13 374 483	13 849 179
Taxes, except those on income	5 099 434	4 359 637
Interest and other financial charges	4 326 248	4 242 717
Remuneration to directors and senior officers	941 697	910 179
Provision for income taxes	9 541 218	12 983 648
	480 615 417	479 831 712
Net earnings	12 208 836	15 701 234
Dividends declared		
Common stock	7 559 080	7 558 904
Cumulative convertible preferred stock	774 607	774 875
Special employees' preferred stock	16 231	21 781
	8 349 918	8 355 560
Amount added to retained earnings	3 858 918	7 345 674
Retained earnings at January 1	176 738 141	169 392 467
Retained earnings at December 31	$180 597 059	$176 738 141

The Financial Summary beginning on page 12 and ending on page 16 is an integral part of this statement.

Cash increased to $2.8 million at the end of 1970 from $1.8 million at the end of 1969.

Short-term investments includes marketable securities and short-term loans of $3.9 million at the end of 1970. Marketable securities are carried at the lower of amortized cost and market value. Carrying value was substantially the same as market value.

Receivables—current, less allowance for doubtful accounts, totalled $102.2 million at the end of 1970, an increase of $7.5 million from the 1969 year-end position. The amount owing by affiliated companies included in the above was $8.0 million at the end of 1970 compared with $2.8 million at the end of 1969.

Long-term receivables, less allowance for doubtful accounts, are reported in other assets.

Inventories are carried at the lower of cost (exclusive of inter-company profit) and net realizable value. At the end of 1970, inventories totalled $134.9 million compared with $150.4 million at the end of 1969. Finished goods inventories amounted to $48.0 million at year-end compared with $52.8 million at the end of 1969.

Deferred income taxes – current representing accumulated tax allocation debits in respect of net timing differences relating to current assets and current liabilities amounted to $9.6 million at the end of 1970 compared with $9.3 million at the end of 1969.

Long-term investments which amounted to $2.2 million at the end of 1970 are detailed in the table on the right. Investment in sales finance subsidiaries included reinvested earnings of $192 thousand, an increase of $26 thousand during 1970.

Plant and equipment, less accumulated depreciation, represents the original cost of land, buildings and equipment, including equipment leased to others, less accumulated depreciation. Summary details are set out in the table on the right. The 1970 dispositions and retirements reflect the sale of the business-computer operations and the disposal of the machinery and equipment employed in the manufacture of colour television picture tubes.

At December 31, 1970, approved future expenditures for plant and equipment approximated $4.1 million, all of which is expected to be spent in 1971.

Other assets totalled $7.7 million at the end of 1970. The summary to the right sets out the principal items.

Short-term borrowings, those due within one year, decreased to $31.9 million at the end of 1970 from $44.1 million at the end of the previous year. Bank loans included in the above amounts were reduced to $1.2 million at the end of 1970 from $30.0 million at the end of 1969. Total amounts owing to banks (including long-term) amounted to $1.2 million at the end of 1970 compared with $31.0 million at the end of 1969.

Accounts payable, consisting principally of amounts owing for materials and services supplied by others, amounted to $29.1 million at December 31, 1970, an increase of $2.2 million from the end of the preceding year. The amount owing to affiliated companies included in the above was $10.3 million at the end of 1970 compared with $8.0 million at the end of 1969.

Progress collections and price adjustments accrued amounted to $49.1 million at 1970 year-end compared with $49.3 million at the end of the prior year, and substantially represented monies collected from customers against contracts on which work was in progress at Company plants.

Taxes accrued included amounts accrued in respect of current and prior years' income taxes and federal and provincial sales and excise taxes payable. These totalled $4.3 million at year-end compared with $3.0 million at the end of 1969.

(Continued on page 16)

Long-term investments	1970	1969
	(In thousands)	
Investment in sales finance subsidiaries	$1 192	$2 732
All other	1 015	920
	$2 207	$3 652

Plant and equipment	1970	1969
	(In thousands)	
Major classes at December 31:		
Land and improvements	$ 4 408	$ 4 380
Buildings and structures	75 763	75 258
Machinery and equipment	208 808	213 579
Leasehold improvements	269	259
	289 248	293 476
Cost at January 1	293 476	259 113
Additions at first cost	18 320	40 351
Dispositions and retirements at first cost	(22 548)	(5 988)
Cost at December 31	289 248	293 476
Accumulated depreciation:		
Buildings and structures	41 694	39 932
Machinery and equipment	100 724	102 671
Leasehold improvements	151	106
Balance December 31	142 569	142 709
Undepreciated cost at December 31	$146 679	$150 767

Other assets	1970	1969
	(In thousands)	
Long-term receivables less allowance	$2 571	$3 459
Securities deposited as guarantees (equal approximately to market value)	1 358	2 212
Other	3 727	1 601
	$7 656	$7 272

Consolidated statement of financial position

Canadian General Electric Company Limited and consolidated subsidiaries

December 31	1970	1969
Assets		
Cash	$ 2 759 895	$ 1 750 537
Short-term investments	3 890 000	—
Receivables—current	102 174 711	94 637 481
Inventories	134 916 266	150 430 856
Deferred income taxes—current	9 638 392	9 308 156
Total current assets	253 379 264	256 127 030
Long-term investments	2 207 461	3 652 290
Plant and equipment—less accumulated depreciation	146 678 646	150 766 889
Other assets	7 656 402	7 272 372
Total assets	$409 921 773	$417 818 581
Liabilities and equity		
Short-term borrowings	$ 31 872 000	$ 44 080 000
Accounts payable	29 061 168	26 936 513
Progress collections and price adjustments accrued	49 085 118	49 282 600
Dividends payable	1 893 630	1 894 619
Taxes accrued	4 339 518	3 020 143
Other costs and expenses accrued	33 567 360	35 793 305
Total current liabilities	149 818 794	161 007 180
Long-term borrowings	3 000 000	9 900 000
Deferred income taxes—non-current	36 970 020	30 562 510
General reserve	12 300 000	12 300 000
Special employees' preferred stock	293 650	368 500
Cumulative convertible preferred stock	17 351 824	17 352 468
Common stock	9 590 426	9 589 782
Retained earnings	180 597 059	176 738 141
Total liabilities and equity	$409 921 773	$417 818 581

The Financial Summary beginning on page 12 and ending on page 16 is an integral part of this statement.

On behalf of the Board:

J. H. Smith, Director

W. G. Ward, Director

Other costs and expenses accrued included compensation and benefit costs accrued of $8.6 million at the end of 1970 ($10.5 million in 1969) and an accrual of $8.8 million at the end of 1970 ($7.9 million in 1969) for repairs and replacements under guarantees on Company products. The remaining costs and expenses accrued included liabilities for such items as payroll deductions at source, and other items.

Long-term borrowings amounting to $3.0 million at December 31, 1970 compared with $9.9 million at the end of 1969, consisted of notes payable over the term 1972 to 1973.

Deferred income taxes – non-current, representing accumulated tax allocation credits in respect of net timing differences relating to non-current assets and non-current liabilities, amounted to $37.0 million at the end of 1970 compared with $30.6 million at the end of 1969. The main timing difference was in respect to the difference between capital cost allowances claimed and depreciation booked on the heavy water plant.

Special employees' preferred stock, par value $50 each (callable at par), totalled 5 873 shares issued and outstanding at December 31, 1970, of 18 000 shares authorized. During the year, the Company redeemed 1 497 shares. Under the provision of Section 61 of the Canada Corporations Act, $607 thousand of the retained earnings is classified as capital surplus arising from the redemption of 12 127 special employees' preferred shares, pending formal reduction of capital.

Cumulative convertible preferred stock, par value $28 each, annual preferred dividend rate of $1.25 each, totalled 619 708 shares issued and outstanding at December 31, 1970, of 625 000 shares authorized. During 1970, 23 of these shares were converted by shareholders to 23 common shares.

Common stock, no par value, totalled 7 559 092 shares issued and outstanding at December 31, 1970, of 8 178 800 shares authorized. There were 7 559 069 common shares outstanding at December 31, 1969.

Contingent liabilities of the Company included guarantees of certain bank loans amounting to $5.2 million and notes payable by a sales finance subsidiary amounting to $6.8 million. Other contingent liabilities consisting of other guarantees, letters of credit, pending litigations and other claims, are not material in relation to the financial position of the Company.

The source and application of funds statement shows an increase in working capital of $8.4 million during the current year from $95.1 million at the end of 1969 to $103.5 million at the end of 1970.

Auditors' report

To the Shareholders of Canadian General Electric Company Limited

We have examined the consolidated statement of financial position of Canadian General Electric Company Limited and its subsidiary companies as of December 31, 1970 and the consolidated statements of current and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company and its subsidiary companies at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Toronto, Canada
February 3, 1971

Consolidated statement of source and application of funds

Canadian General Electric Company Limited and consolidated subsidiaries

For the year	1970	1969
		(In thousands)
Source of funds		
Current operations		
Net earnings	**$ 12 209**	$ 15 701
Depreciation	**13 375**	13 849
Deferred income taxes—non-current	**6 408**	15 707
	31 992	45 257
Disposal of plant and equipment	**9 032**	568
Reduction of long-term investments	**1 445**	3 371
	42 469	49 196
Application of funds		
Additions to plant and equipment	**18 320**	40 351
Reduction of long-term borrowings	**6 900**	15 000
Redemption of special employees' preferred stock	**75**	142
Dividends paid	**8 350**	8 355
Increase (decrease) in other assets	**384**	(883)
	34 029	62 965
Increase (decrease) in working capital	**8 440**	(13 769)
Working capital at beginning of year	**95 120**	108 889
Working capital at end of year	**$103 560**	$ 95 120

The Financial Summary beginning on page 12 and ending on page 16 is an integral part of this statement.

Ten year summary

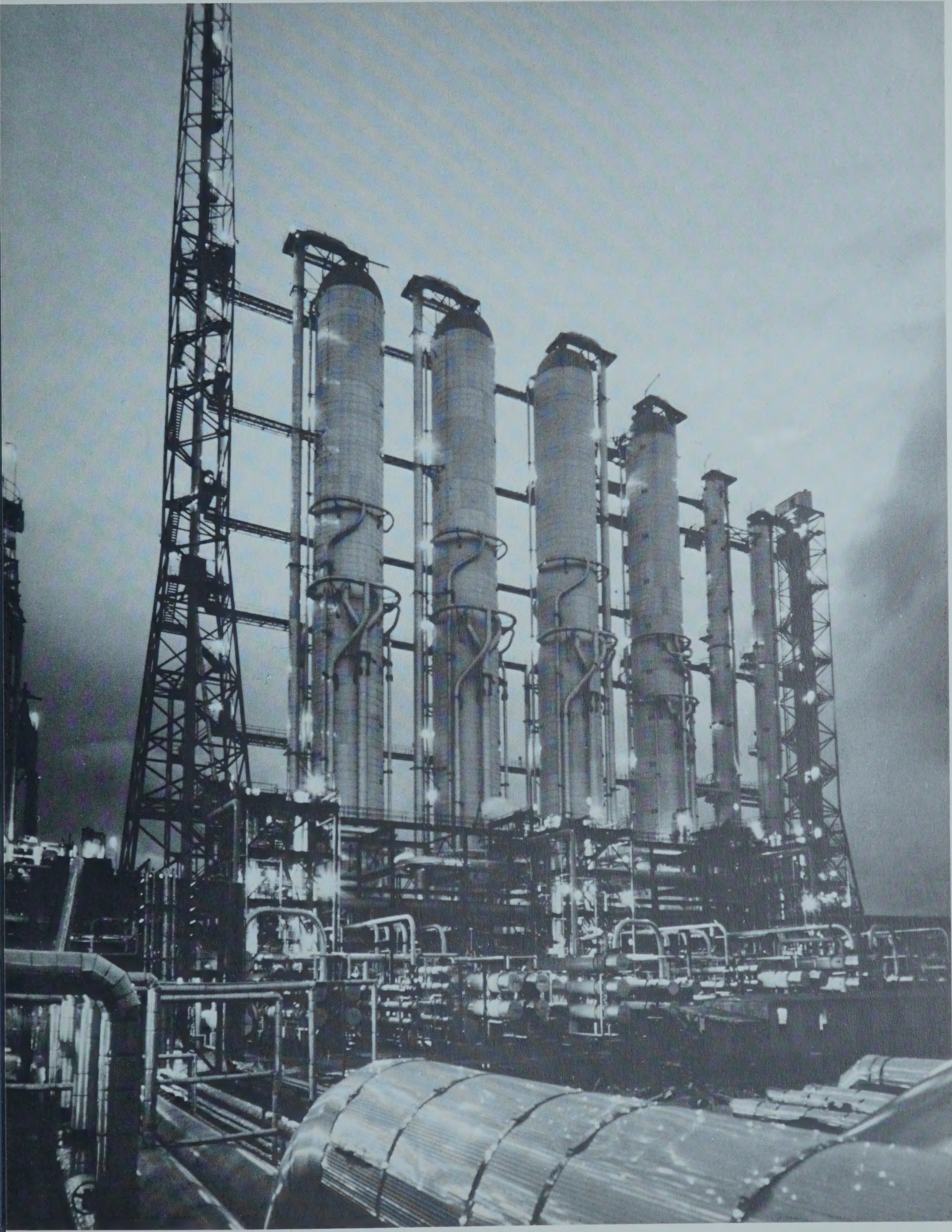
(Dollar amounts in thousands; per-share amounts in dollars)

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Sales of products and services	**$489 992**	$492 341	$454 674	$427 363	$415 879	$365 992	$324 382	$311 062	$263 302	$215 283
Net earnings	**12 209**	15 701	14 630	14 531	18 453	16 575	17 056	13 785	10 144	8 375
Net earnings per share (a)	**1.49**	1.92	1.79	1.77	2.25	2.02	2.08	1.68	1.24	1.10
Earnings as percentage of sales	**2.5%**	3.2%	3.2%	3.4%	4.4%	4.5%	5.3%	4.4%	3.9%	3.9%
Cash dividends declared										
Per common share	**$1.00**	$1.00	$1.00	$1.00	$1.00	$1.00	$0.625	$0.30	$0.30	$0.30
Per cumulative convertible preferred share	**1.25**	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	—
Current assets	**$253 379**	$256 127(b)	$241 028(b)	$244 962	$233 849	$193 132	$205 527	$161 623	$147 702	$110 577
Current liabilities	**149 819**	161 007	132 139	128 266	120 713	89 485	101 349	69 974	65 968	35 601
Total assets	**409 922**	417 818(b)	381 040(b)	354 315	319 379	271 127	274 996	231 507	216 827	161 660
Plant and equipment additions	**$18 320**	$40 351	$45 349	$36 431	$20 988	$20 569	$ 9 867	$ 5 718	$15 772	$ 5 188
Depreciation	**13 374**	13 849	13 382	12 583	11 001	9 166	6 918	6 370	6 435	5 145
Total taxes (excluding taxes on sales)	**14 641**	17 343	18 168	16 735	21 853	19 606	19 916	17 740	12 438	8 720
Average number of employees	**19 789**	21 268	20 866	21 749	21 066	18 905	17 139	16 231	15 194	12 387

(a) Assuming all cumulative convertible preferred shares converted to common shares.

(b) Reclassified to include deferred income taxes—current.

Right: Production of heavy water, vital to the success of Canada's nuclear power program, was achieved at the Company's plant at Point Tupper in Nova Scotia in late September.



CANADIAN GENERAL ELECTRIC

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